"TWENTY PER CENT."

A BANKING TALE OF THE PRESENT TIME BY THE AUTHOR OF "THE BUBBLES OF FINANCE."

It is not to be wondered at if the Anglo-Indian who returns home after a sojourn quarter of a century in the should, above all things, wish to "rest and be thankful" for the remainder of his days. Such, at any rate, was the principal thought that occupied my mind when, some six years ago, I made up my mind to resign my appointment of judge at Beefapoore, and retire upon my pension of £1000 a year, which is the sum allowed to all those who have spent a quarter of a century and upwards in the Indian Civil Service when they leave India for good and all. During my career in that country I had neither been extremely tortunate nor very much the reverse. Besides my pension aforesaid, I had saved some money, and having "turned it over" Judiciously, and never dabbled in speculative shares or hazardous undertakings, I had, from the very first that I commenced to put by from my pay and allow ances, steadily increased my store, so that the day I took my passage on board the Peninsular and Oriental steamer at Calcutta to return to England, I could write myself down as the master and owner of some £20,000; which, being invested in the Indian Government Five-per-Cent, paper, gave me about £1000 a year, in addition to the like sum which I would for the future receive from the India House. Now, with £2000 a year a man of moderate habits and inexpensive tastes may look forward to comfort, if not to what he terms luxuries, for the rest his days. It was not needful for me to put by Easything for my widow; for, according to the rules of the Indian Civil Service, she would have £300 a year at my death, which would be about equal to a marriage settlement of £12,000. My colldren, by the regulations of the same Civil Service Fund, were also provided tor, each one that survived me being entitled to £160 a year-the girls until they married, the boys until they were twenty-one years of age. My income of £2000 I was therefore, so to speak free to spend how and where I tiked, without in the least bazarding the inture comforts of those left behind me. Not that I looked forward either to a life of indolence, or to letting what talents I brought nome with me in the way of capital be had behind a bushel. The Italian provero says:-"'Chi a bevula bevera"-"be that has drank will drink ergin"-and this no doubt holds good with those who have led an active life during their best years. Unless a man be of a hopelessly indolent disposition—and nothing is more unlikely than that such an individual should get on in the Indian Civil Service - his past life work only gives him a keener gest for inture labor. I was yet in the prime of life, being some three years on the right side of fifty. My health had suffered little or nothing by my long residence in the cast. There could have been no greater punishment to me than being condemned to lead an idle life for the remainder of my days. And, therefore, with all my anticipations of home and home enjoyment, there

Farming, and the various occupations of a country gentieman who farms his own land, had always great charms for me. My native was Herefordshire, a province where from childhood upwards every man hears much and must learn something of the art of cultivating land, buying and selling 'beasts," sheep, and pigs, as well as fattening the same. Neither when a young magistrate in the Upper Provinces of India, nor even when condemued in after life to sit for six hours every day upon the bench as Judge of Beefapoore, had this taste ever left me. During the whole of my Indian career I received The Field by every overland mail, and read it far more regularly than I did the Calcutta Englishman or the Lahore Chronicle. From the day I first went out to India I had set an object before me, and this was to return to Herefordshire with money enough to rent or buy a small estate, which I could farm myself, and thus to both, and so soon as I landed at home I com menced to carry out my intentions.

was mixed up the anticipation of having some

time, and, although not obliged to do so, enable

me to add a few thousand pourds to what I had

already saved.

which would fully take up my

But it is not easy to settle down quickly in England. In the first place, I had many relations to see and visit, and many of my wife's friends to become acquainted with. married in India, to which country she, then the only unmarried girl out of seven daughhad accompanied her father, a Queen's regiment. To meet and mix with various persons who live in dif-ferent parts of the kingdom, it is absolutely necessary to reside in London, at any rate for time, and we therefore agreed that we would put off for a year our settling down definitely in the country, although in the meantime we determined to be on the look-out for any place that would suit us, in or near my native county, to which, as I said before, I wanted so much to To live at a London hotel for twelve months is a luxury only allowable to millionaires or foreign diplomats, and to reside in lodgings is a misery which the poorest man would hardly submit to if he could do other-wise. A turnished house—that is, to hire a habitation of this description-means to pay double rent for the use of very bad beds. chairs, and tables, and when you leave the place to be mulct in the full value of these article themselves under the head of "breakages," with out the privilege of taking possession of the same. Taking these facts into consideration we determined to take a house of our own for the year we were to remain in London, and to transport the furniture we should purchase down to the country when we took our departure from the metropolis. So far from giving up my intentions of larming, and on my own account, I determined that the delayment in following out my schemes should merely give me more to carry them out. I advertised in the Times the Field, and the Herefordshire and Gloucester shire papers for a residence of a certain size which I could rent or buy, but to which must attached not less than a certain amount of land, with shooting to be had in the neigh borhood. The answers I received to my ad vertisements were innumerable, and I atraid to say what I must have paid the Great Western Railway Company for first-clas fares to Hereford, Gloucester, Worcester, Mon-mouth, and all the stations adjacent to these towns. Still I could find nothing that exactly suited me. One place had an excellent house but little or no land worth the trouble of farm ing attached to it. At another the land was all could desire, but the house was badly situ ated, and very inconvenient inside. A third was desirable in every way, both as to house and land; the owner would only sell, not rent it; and the price he asked was much more than could afford to give. In short, there was some objection or other to every place I looked at and by degrees I began to despair of getting suited as I wished. In the meantime we were daily taking deeper and deeper root in the soil of London. Good schools were to be had for the children, occupation and amusement for ourseives, and the society of old Indians, which is so large in the capital, became more and more necessary to our everyday existence. A more necessary to our everyday existence. At the clubin St. James' Square I met everybody worth knowing who had over been in the East, and was certain of sector my former colleagues, triends, and acquaintances, whenever I chose to look them up. Thus it was that by degrees, and as it were without intending it, we began to give up, or at any rate to postpole, our settlement in the any rate to postpole, our settlement in the country, and to consider ourselves as almost regular Londoners. I have mentioned these circumstances not merely as an instance of the

truth that man proposes but God disposes; but also to show how that, with intentions and disposition to take to quite a different kind of life, I was insensibly led into what I have had good reason to lament most deeply. There was one thing wanting to my comfert in town life, and that was occupation. I felt that an idle existence was doing me harm, and that either some business, some office, or some-

theng that would force me to work at any rate a ew hours every day, was an absolute necessity. It was not even now our intention to remain always in London; we had resolved to wait until tome good opportunity of renting or buying a place in the country should occur. But this might be in a month, a year, or three years, and in the meantime I jelt that a totally idle interest in juring me very much in mind and body, and so determined I would do a little of what every one was just then running mad about, gamely,

dabbling in shares of public companies. At the time at which I write, the idea of finance and credit companies was almost new in England. One or two of them had sprung into existence, and were looked upon as most suc-cessful speculations. The directors of these undertakings were known as most respectable though some of them were rather "go-shead" in their monetary ideas and notions, these gentlemen I was well acquainted with, having know them-a few personally, others by repute—in India. They were by no means men of straw, their means being ample, and their characters for caution in money matters beyond dispute. They were not looked upon as wild speculators, but as men who, having discovered a new method of making money quickly, had introduced the art into England from foreign countries. At the club there was little save finance and credit compa-nies talked about. One of these institutions had declared a dividend, which, even for the first six months of its existence, was at the rate twenty per cent, per annum. airly bitten with the mama, and calculated tha I could thus invest but halt of the £20,000 had made in India-which at this rate would give me exactly £4000 per annum-a very tew years would enable me not merely to rent, but even to buy out and out some good-sized estate, with a comfortable mancion attached. And it i chose to lay out all my £20,000, I could at a very noderate calculation, in two years nave £100,000, which I could call my own.

Mixing with other men in the world works evil as well as good. The hermits of old who rished to aveid temptation of every sort, were vise in their generation when they elected to live each one by himself.

Certain it was that in my case talking over the "finance" movement at the club confirmed me in my speculative notions. By degrees I began o think of nothing but shares, dividends, and high interest for investments. Commencing with £1000, I soon[disposed of nearly half of my old Indian securities, and laid out the money thus realized in the shares of one or other of these new concerns, and soon became known a man who "went in" for any "good thing" that

Nothing could be more prosperous to all outward appearances at the period of which I write than the English money marker, and never were such ample means for hooming for every purpose of speculation. The American civil war had given a new impetus to the Indian cot-ton trade, for the staple which could not be produced in the west had to be brought from the ast. With increased imports from, came much larger exopris to, India; and with a greatly enlarged commerce more banking facilities w required for that country. It was suggested to me one day at the club that I should become a director in a new establishment of this kind. "The Malabar and Yokahama Bank, Limited," was about to be established, on principles which combined the utmost security for all shareholders, with the greatest possible accommodation for all customers. 'Thing's as simple as possible," said Watson to me when I funched with him at the "Junior" one day (Watson had been for thirty years of his life a dragoon officer in India, and had only just returned from an up-country station in that country, where there was neither bank nor rade of any kind; he was, theretore, an excellent judge of the requirements of the mercan-tile world). "Thing's as simple as possible. Fellows out in India got lots of cotton; Man-chester fellows want cotton. Indian fellows send cotton to England, draw on Manchester fellows, bank cashes their bills, keeps cotton until bills are paid, gets 10 or 12 per cent, for doing so, and there you are." This gallant soldier had certain fixed notions on money matters in general, which he was accusiomed to explain in a terse and sententious manner, out which carried with them the conviction of his hearers, or, at any rate, ot his hearers in the military clubs. Be that as it may, I consented to become a director of the "Malabar and Yokahama Bank, Limited," and when the prostus of that establishment appeared in clumns of the Times, I flatter myself that the name of Joseph Stronarm, Esq., late Bengal Civil Service, looked as well as that of any of his colleagues in the same list, although it was universally allowed in the city that we had "a very strong direction," so much so, that we were quoted at 2½ to 3 premium the day after the bank came out, and by the time we had alloted the shares they had risen to 54 to 6 premium.

It may be asked what opportunities had I, either as assistant magistrate at Mecrut, as joint magistrate at Agra, as assistant commissioner in Unde, as collector at Sectapoore, as commis sioner in Sewarie, as acting judge in Lahore, or finally, as judge of Beerapoore, to learn any about banking? I reply, that I quite as good a chance the trade as any of my brother direc-tors. The chairman of our board was ex-Indian civil servant, who had merly been Auditor-General or Accountant Seneral at one of the Presidencies. Having had for many years to deal with the accounts of a vast country, and to check any errors which may have crept into the vacious collectors' accounts, must have proved an excellent training for the board of a London bank, whose chief business it was to deal with trans actions in raw cotton sent from, or Manchester goods sent to, Calcutta, Madras, and Bombay. Next to our chairman, on the list of our direct ors, came Colonel Watson, who, having for thirty years of his life done nothing but attend "orderly room," drill his men at "field "neld "look after the riding school of his corps, blow up the officers at "stables," equally suited for the duties of a bank was equally director. There were certainly two-and only two out of the twelve that composed the boardof our directors who were mercantile men; but as one of these had spent all his business life in the interior of the Cape Colony, and as the other had brought the firm of which he was a eartner to unmistakable and undeniable grief h, the Calcutta Insolvent Court, the less we say of them the better. The list of our directors nay be briefly classed as follows:-Four ex-civil servants of the Indian establishments - ex oges, ex-collectors, and the like; one excolonel of cavalry; one ex-major of infantry; one half-pay neval captain; the two ex-mer chants atoresaid: a gentleman who could of no trade or calling except that he was member of Parhament; and two individuals who were nothing, and never had been any hing in particular, save that they had handle to their names, the one being the brother of an earl, and therefore an honorable, the other a caronet. It is true we had this much good amongst us - we appointed an excellent general manager. He was a gentleman of great Indian banking experience, and not only old we give him a liberal salary, but we were wise enough to leave in his bands the appointment of all the local agents and man although we certainty did not let him have his own way to managing the affairs of the bank. But of thus, more presently.

No sconer and my name sone forth as a director of the "Malabar and Yokahama Bank Limited." than I wan beset on every side to join the boards of all kicks and sorts of companies, not a lew of them the most impossible under akings that the mind of man could conceive. Not a day passed but that I received letters from "promoters" of concerns, to which Martin Chuzziewit's tamous Anglo-Bengalee Company was as the Eank of England to the latest joint stock uncertaking out. Every one I saw or mixed with a ked me as a particular favor to loin this, that, or the other company. It became known, somehow or other, that I had twenty (report soon magnided it into a hundred) thou-sand pounds, which I could invest as I liked,

my grey hair, as I spproached the age of tifty; and when I was at last per-naded to join the direction of a newly formed Finance Company, the shares of the concern immediately rose £2

each on the Stock Exchange.

The Directors of "The Malabar and Yokahama Bank, Limited" were neither dishonest nor needy men. As times went they discharged their duties conscientiously, and without any after-thought of individual gain. They took it in regular turns to attend the bank every day, in addition to the board meetings, which were, of course, held every week. Nothing was done, no draft accepted or paid-excepting, of course, the current accounts of customers that had balances to their credit-without being signed by a director and countersigned by the manager. If bills were prought for discount, and the bills of lading, invoices, and insurances of the goods which those bills represented were deposited at the bank, we made an advance upon them, always leaving a wide margin in our own favor to provide for any possible losses. In short, nothing could be safer or more sure than the osiness we were doing, and yet at the end of the first halt-year, although our expenses had been very great on account of what are called preliminary expenses, we were able to declare a lividend at the rate of 10 per cent, per annum, and to put by some £5000 towards the formation of a reserve fund. At the same meeting, our chalrman declared to the assembled share bolders that he would never rest contented until he was able to declare a dividend at the rate of 26 per cent. per annum, and to put by at east £10,000 every half year to the reserve fund. As a matter of course, the first general meeting of the tank passed over pleasantly enough, and in consequence of our extremely favorable balance-sheet, the shares of "The Malabar and Yokahama" rose from 3 to 64 per cent, premium in a single week. But as there are many of my readers who will not understand by the foregoing what is the nature of the business done in an Anglo-Indian Bank, I will explain for their satisfaction what it clouds consists. for their satisfaction what it chiefly consists of and how the profits are made. Let us suppose that the London firm of Jones

& Co. receives from Bombay correspondents, Messrs. Horsmaslle. Damaslie, (Cursetile, & Company, an order to ship to the latter sandry Manchester, Glasgow, Sheffleld, or takey good: to the amount of £10,000. Now, although the house has a fair amount of working capital, it would certainly not suit Messrs. Joles to pay £10,000 down, and be that sum out of pocket until the good ship Alice Black arrives at Bombay-which, as she is a sailing essel, and proceeds around the Cape of Good Hope, will not be less than four months-until the goods are delivered to Messrs, Hormasile, and until the last-named firm can remit them the amount due for such goods. What is then be done? If Jones & Co. were to ask Messrs. Hormasie to remit the amount of the invoice before they shipped the goods, that illustrious Parsee firm would in all probability cease then and there from ordering anything more from them. And yet Messrs, Jones & Co., having four or five similar orders on hand every month have certainly not the capital wherewith to pay such immense sums of money, and be out of their funds for so considerable a time. They therefore manage in this wise-and note that the transaction is deemed perfectly legitimate in trade, both in England, in India, and all

over the commercial world. Messrs. Jones & Co., being a firm on good redit, purchased the goods they want upon short credit, say from fourteen days to a month. When bought, these goods are at once shipped, and when shipped bills of lading are given by the captain of the ship, without producing which the goods would not be delivered up at the place of the vessel's destination. These bills of lading are then taken by Messrs. Jones to the bank, and bills for three-fourths, or two-thirds, or perhaps four-fifths of the value of the shipnent are drawn upon Messrs. Hormasjie of Bombay, the bank retaining the bills of lading as security, and sending them out to their branch bank at Bombay, with orders not to deliver them up - and consequently not to deliver up the goods—until the bills which are drawn against the bills of lading are paid. The arrangement suits every one, and may be termed the real oil by which the wheels of trade are kept in motion. It suits Messrs. Jones & Co., because they at once obtain from the bank two-thirds, or three-fourths, of the amount of money they have to pay, and are therefore able to meet their engagements ients whilst only out of pocket a comparatively very mall sum. It suits the bank, for that establish ment has in hand more than security enough to cover any probable loss by depreciation of the value of the goods, and at the same time charges nterest, commission, and goodness know what sides, for the advance, or rather for discount ing the bill. It suits the Parsee merchants out Bombay, for the bill upon them is drawn at three, four, or six months after sight, and as the goods will be all that time in getting out to India via the Cape of Good Hope, they (Messrs. Hormasjie), will only be obliged to pay for them about the time they arrive at Bombay. In short, no banking transaction could be more legiti-mate, more profitable to the bank, and at the same time more secure, than those of a like nature. It is by similar advances, thus secured that Indian banks make the enormous fortunes they do, and, until lately, pay their shareholders such very large dividends.

It would have been well for "The Malabar and Yokahama Bank, Limited," if we had stuck to this line of business. But like all boards of directors at the time I write of-some two years ago, or rather more-we were bitten with the mania of making large profits in a short space of time. Our chairman had said he would ever rest contented until we could declare a dividend of 20 per cent. per annum, and 20 per cent. we were bound to make, even if—as an American would say-"we cracked up" in our endeavors to do so.

At the present day, when the storm which over-speculation caused has burst over our heads. it is easy enough for shareholders to turn round and abuse directors for mismanagement of their funds, but if the truth had to be told, were not the former equally to blame with the latter If at a general meeting of the company-of any company, whether bank or other-the directors declared a small, or even a comparatively small dividend, did not the wrath of the shareholders fall on their devoted heads; I am quite sure that both at our own and other board rooms of joint stock banks, whenever cautious measure or careful dealing was advocated, it was overruled purely from fear of what the shareholders would say it a large dividend was not forth-coming at the end of the half year. And therefore it was that banks whose legitumate business would probably have carried through almost any amount of trouble, were led into ransactions which, though perfectly lawful in themselves, were not such as they had either the capital or the connection to carry on, and which ended, as we all know, more or less, by

I need hardly say that by the time "The Malabar and Yokahama Bank, Limited," had been six or seven months in existence, I was so entirely absorbed by business, that I had altogether banished the idea of going to live in the country, at any rate, for the present. During all my official career, not even when getting up the native languages in Calcatta for my exami-nation before I could be appointed to any cost in India, did I work as hard as at pre-Although we lived in the far west of Bayswater. I was up, dressed, breakfasted, and in the city s eleven o'clock, even if it was not my turn to se on duty as director in attendance week. To get business for the bank, to hear of more business being obtained, to know how our shares were on the Stock Exchance, to learn the last news and the latest telegrams from India, formed the whole and sole end of my exdence. At our second half-yearly meeting the fividend was declared to be at the rate of 12 per cent, per annum, out this did not satisfy either shareholders or directors. We who belonged to the board had made it almost a point of honor that the dividends should be brought up to per cent,, and to effect that we determined

spare neither labor nor time. I have already explained the nature of the withour roughing my pension of £1000 a year I was reported to be a knowing hand, a capital man of business, a long-headed fellow, until at last I really began to be even that my mercantile and bank, and our snipping porus in India. As a matter of course, the various ng knowledge only began to show itself, like

India will always keep current accounts of customers, and discount good local bills, thereby adding not a little to the proits of the concern To carry this business on in India, where the facilities offered to the public do not yet equal the demand, is easy enough. But not so in London. Here the banks are so many and the competition for profit so keen, that any new establishment can only expect to have the refuse bills which other banks will not look at. With caution, and in time, this difficulty, like many others, can do doubt be overcome. But to do so, the manager of a bank must not have highish and India business on his hands at the same time. This was the first mistake we made ud through it we were led into several other blunders which we might otherwise perhaps have avoided. At any rate, the turning our bank into a London as well as an Indian establishment, and not sticking closely to the work for which we were first instituted, helped not a little to bring us into trouble, and this is how we managed to make mistake number one.

A banker, or a bank, as every one who reads the leaders of the Times during the late panic must have learnt pretty well, is, or ought to be, an individual or an establishment that bor rows money without interest and lends it, charging for the use of it, and as the very life and roul of a bank is credit, it is able to have as much almost as it wants of other persons noney, for which it is answerable, and which It lends upon security to those who have good security to offer whilst both parties are satis ied withe their respective shares of the bargain. This it suits Mr. A, Mr. B, and Mr. C to make all payments by checks on that establishment. The bank takes charge of their money, and is responsible to them for the same. These parties are, as it were, the lenders to the bank. They ge -or they used to get in olden days, when banking was conducted on a more egitimate tooting than at present—no interest or the money they deposit, but what they pay nto the bank is kept in safety, and—to say nothing of the conventional respectability of having "no account with a bank"—they can pay their money by cheques, and have their account cept for them gratis. These, as I said before, to the lenders to the bank. But there are also borrowers from the same establishment. Mr. D. Mr. E, and Mr. F, want to discount their ecurity. If that security is good, the banke ends them the amounts they require, and the nterest charged forms the profit of the bank. When a business like this is well established, and when it is worked with ordinary caution. banking cannot be otherwise than very proutable. But this must take time, and those who manage it must go very carefully at first. More over, banks established for foreign busines ought never to enter upon a line which canno possibly be managed at the same time as that they have already in hand. We did so, and in found out the mistake we had made. Nothing is more easy than to get custom for

London bank, but the difficulty is to obtain ac ounts worth having. When we commenced loing English as well as India banking business, there were plenty of clients came to us, and such as brought anything like a respectable in troduction we could haraly reluse to take. But with few exceptions, the histories of all such banking accounts were the same, and one ex ample will serve for fifty. An individual would bring a letter or introduction to the manager. and would open an account with a hundred or a hundred and flity pounds-perhaps more. He would ask and obtain a cheque book and pass book; but hardly would the ink with which the necessary entries were made be dry, than the cheques drawn against the account would come tumbling in, so that in perhaps three days not only was all the money deposited drawn out, but the balance was five, ten, or twenty pounds on the wrong side. A young bank, being as it were afraid of disgusting customers, seldom or never sends back a checque because there are no tunds to meet it. This is so well known that in London there are numerous adventurers who make it a point to open accounts with new establish-ments, knowing full well that they will make a tew pounds by each such speculation. How they obtain letters of introduction to managers is one of the many wonders of London busines life, but that they do so is certain, as is also the fact that they manage to deposit speciable sum, draw out and pay in money for a time, and then make a hual shot at the establishment by a checque which draws out all the balance they have, and some pounds beyond This done, they are never more heard of and in vain they are written to and requested amount they have overdrawn. They know better than that, and so betake themselves and their sham accounts somewhere else, to serve, in due time, some other establishment as they did that from which they have withdrawn their patronage.

Of accounts like this we got several-many nore than we wanted-but of real bona fide cus tomers who always kept a balance of three or four hundred pounds to their credit, we had not a cozen, and of these the majority were directors. In banking, it is well known, unless a customer leaves a certain amount to his credit and never draws below that, his account is not worth having, and it is only young banks that refram from requesting individuals who do not keep such balances, to withdraw their accounts altogether. This then was our case, and thus began trouble number two of our bank. had all the risk, all the trouble, and all the work of keeping a number of current accounts rom which, as so few balances were left in our hands, we derived no profit whatever. The eason was obvious. There is so much tition for custom amongst the London banks and there are so many well-established concerns of the kind, that customers worth having will not go to new establishments; and why should

It was the same thing with the bills brought to us for discount. We had either to put up with paper which other banks would not look at, or else to do nothing. Here the same com-petition for profits told against us. Although the bills we accepted were selected with the utmost care, and quantities of rubbish rejected, they were worth but little, and if did not renew or make some arrangement a maturity, we generally found ourselves minus the amount of cash advanced. Of course there were exceptions to the rule, but still our were considerable, taking into considera tion the comparative small amount of busines we did in this particular line. And this, be is remembered, with a board of directors as hones and honourable as could be tound in Eng and, not one of whom ever thought of obtainin a loan or of discounting on his own account. Had it been otherwise—had we been given to help each other, or of making advances to each other's friends—the losses of the bank would have been teniold what they were. We were to net like so many Colonel Newcomes. With the best of intentions and the utmost honesty purpose, we made a terrible mess of London banking business, simply because we knew nothing whatever about it. It was much the same as if we had commenced the trade of coach-making or house-building, or iron-founering, without having ever learned one or other

these callings. So long as our regular Indian banking flour ished, we were able to make a good show in our half-yearly accounts, for what we lost by different ustomers and bad bills we made up by the profits upon legislimate advances, which were coured by bills of lading, as I have already explained. Thus the one branch of our business was more than balanced by the other. Cotton from india was in great demand, the prices ranging higher and higher; and as the trade in hat staple increased in the East, so larger and larger shipments were made, and poils drawn through our Rombay branch were sent to us, amply covered by the produce these bills represented. We were in hopes that whilst our regu lar Indian business continued to prosper, our I ondon banking would get better and better, and that in time we should see it established on

Ent, unfortunately, great prosperity cannot last farever, and it when it falls in a banking establishment, there has not been pradence and caution in the mode of doing business, the most serious trouble is likely to ensue. We had all but reached the desired goal of a 20 per cent, dividend-our last one be rate of 18-wben, as the prospect of peace in America began to get brighter and brighter, cotton trade in India commenced

men of Lombard and Threadneedle streets to look dult, in consequence of the prices on this side getting lower every day. consequence of Here we commenced to suffer-not much at first, but after a time our losses got serious. Cotton had, perhaps, been shipped in India, a: a supposed vaine of a shilling a pound, and bills to the value of, perhaps, ninepence a pound had been drawn against it, the countervalue being paid by one of our Indian branches, and the bill sent home to us. But by the time it reached England the cotton which it reached England the cotton which it represented had, perhaps, fallen to seven or ightpence a pound, the market having what is called a downward tendency. Sometimes the parties upon whom the bills were drawn would not accept them, and thus the cotton was left on our hands to be sold—almost always at a great loss. In many instances the bills were accepted, but before they arrived at maturity the parties who ought to have paid them failed, and again we were left with cotton on our hands to be sold at a rumous price. On the other side—in India—things got blacker and blacker. Goods sent from England were sold at less than a fourth of their value, and our branches there lost much in the same (only in greater proportions) that the head establishment in London suffered. To make matters worse, a temporary insanity seemed to have seized upon the managers of our Indian branches. They had as we afterwards found out when too late - advanced large sums of money upon utterly worthless Indian shares, as well as upon buildings, lands, and other kinds of securities which a bank oughst never to touch. The consequence of this folly was, that when we expected remittances from India to provide for bad bilts and fallures in London, we found that our funes were locked up in the East for a considerable time to come, and that even when they became available, the securities would not probably realize a tenth of he money that had been advanced upon them. or this new trouble we directors could hardly be blamed, for it was as unpossible for us to e to London and India at the same time, as it would have been to work a bank of this kind and not leave the different managers abroad power to act to the best of their judgment. It is an axiom, and a very proper one, in commerce, that every principal is bound by the acts of his acknowledged agent, and consequently we the directors of the board at the head office in London, were obliged to confirm the doings of our managers in the East, no matter bow much we disapproved of those acts. Against this kind of mistortune there is no positive or certain guarantee. The directors of a company can always, or in a great measure at any rate, insure their shareholders against the dishonest acts of a subordinate, and in all cases insist upon persons so employed finding a proper guarantee for a considerable sum. But to guard against disobedience of orders is impossible, and if no actual traud can be discovered, the utmost punishment they can inflict upon the subordinate who slights their directions, is to dismiss him from their service.

But the British shareholder is the last man to isten to reason if he believes his pocket is to be touched, and in most cases, he, by his own yelling, brings down the house upon his own head. Our next meeting was by no means a pleasant one. All kinds of Indian securities were getting lower and lower, and our shares, being those of a young bank, fell very considerably. The board of directors were accused of all sorts of negligence, and some of the intelli gent individuals present went so far as to hint that we, no doubt, "stood in to win" something considerable by the depreciation of these same shares. It was in vain that we offered to prove by the books of the bank that we were all large shareholders in the concern, and that some of us who had bought in when the shares were at a premium were very heavy losers indeed. In my own case I had purchased no less than fifteen hundred shares when they were quoted at one pound premium, and now they were at three pounds discount, being a loss of tour pounds per share, or £6000 upon the transaction. In place of the twenty per cent. interest, and the few years work in London, by which I hoped to purchase my estate, the money I had brought home from India was reduced by more than a fourth. So muck for amateur banking by those who, however good their intentions may be, do not understand the science.

By some means or other-chiefly by turning

deat ears to the insuits passed upon us by many of the shareholders-we managed to get over this meeting, and determined to do or he during the next six months, so as to prea better balance-sheet and to raise the price of our shares. There was but one way of effecting this change, and in adopting the method we did but tollow the example set us by many of the banks and other monetary institutions around us. I allude to the system of "financing," which had become so very common with a number, not only of "finance" companies, but also with numerous banks, discounting esta-blishments, and the like. To "finance"-so ar as the art is understood in England, where it has been but partially developed as yet—is to charge high interest and commission for ccepting or becoming responsible for pecuniary liabilities, which, if only from the long date of the securities, can hardly be termed good. Thus, amongst many other instances, a builder that was erecting a new square, or street, was in want of money to complete his work. He came to us, and gave us a mortgage upon these ouses which as yet were but halt finished, and in return we accepted the bills he drew upon us, which bills he got discounted elsewhere, and for which transaction we charged him at the rate of 30, 40, or 50 per cent, without having parted with any cash, and holding in our hands mortgages of double the amount of the bills we had accepted. To the uninitiated this may seem a most profitable business. and so it is so long as there is no panic in the money market. But the monent that there is any difficulty about discounting bills, the bullder, as a matter of course, fails, and those who have given their acceptances are lefto provide for the same, with nothing to fall back on except a mortgage which cannot b turned into money for, perhaps many months.

As a matter of course, we, the directors o nd not give out publicly that we were bnancing," no bank ever does.' But we worked the newly discovered mine, which we believed to be mexhaustible, and as the money market was once pretty easy, we managed to make upon paper—for the losses we had incurred during the previous half year. At the first general meeting held after the "financing" system had been commenced, we were able to declare a dividend at the rate of fifteen per cent, per annum, and the value of our shares rose in a lew days from three discount to three premium. As a natter of course nothing could be more cordial than the reception which we directors received that meeting from our shareholders. Whether they would have greated us so well had they known the serious risks we were running, is another question. But this much I will say, which is, that the board of directors, one and il, believed firmly that the ultimate results of he "unancing" scheme would be of immense cuefit to the bank. We were all bitten with he mania of making money upon the security of documents which were really not available any way for converting into cash, and as the cheme appeared to work well enough for the present, we did not care for—or did not think of—the future. That we believed our operations to be for the benefit of the shareholders, may be inferred from the fact that although our shares rose in value every day, there was not one of the directors that sold a single share, whilst there were many of that purchased more and more of our ersp. Of the latter I was one, so much so that, ter a short time, had I been called upon to pay up the full amount for which I was hable on my shares, it would have absorbed nearly the whole of my £20,000 of savings which I had brought bome from India. But I had no fear for the ultimate result of our operations. A w creed had been preached Lordon, and amongst its apostles were tound some of the most "respectable" of or boldness and courage were all that were wanted to make money. No matter how long dated, or how utterly unavailable to turn late cash was he security offered, the new scho celieved that it would all come right some day. Who was I that I should set my experience and my hedian wisdom against the ideas of the great

And so I, like the rest of my prother direc ors wept with the crowd, and followed to the very utmost the "go-ahead" principle that had-intely been imported into this country from abroad. It is but fair to, say, that in its "financiag" operations "The Malabar and Yokahama, Bank Limited." succeeded very much better than it had during the rather short career of London banking which it had trad and follow make anything which it had tried and failed to make anything of except a large crop of bad debts. Some of the projects we "financed" were magnificent in con-ception and wonderful in idea. Thus a short line of railway had to be constructed, but the capital was not subscribed for by the public. Now the chief person interested in getting up this railway was the contractor who was to this railway was the contractor who was to make it. Not only did be hope and expect that the contract would be a most profitable one, but he and certain friends had purchased for a mere song some iron and coat mines, the value of which would be increased a hundredfold railway could be brought to the mouths of the pits. But the Pritish public did not seem to see this; and so, in spite of advertisement after ad-vertisement in all the public papers, there were but thirty or forty thousand pounds worth of ona fide applications for shares in a line which equired a capital of at least £500,000. In his distress the contractor came to us, and offered us any interest we liked to name on the security of paid-up shares of the line, as well as morroages on the mines, if we would advance him the money in bilis which he could get discounted. The affair took a very long time to negotiate, for even we directors of the "advanced" commercial school flought it comewhat oo large an undertaking for our establishment to engage in alone. But, to make a long story bort, the business was settled, and it was in his way we arranged it. A Paris bank-French bankers will engage in

financing" to may amount, in fact they consider it a part of their legitimate business—was to draw on us at three months' date in sets of £500 each, to the amount of £500,000. These bills—which, being drawn by one bank and accepted by another, would be very easily discounted-were to be made over to the contractor. who, in return, gave us paid up shares and deben upon the future line, to the amount of £1,000,000 sterling, as security for his bond, payable in three equal instalments in one, two, and three years, besides a mortgage of £250,000 upon his iron and coal mines, which was also ayable in three years. We-that is, the two banks—took upon ourselves the keeping up the bills, that is, of renewing them again and again, in various forms and in different ways, until the three years were over, and we had realized the shares, debentures, and mortgages. Thus, for an advance upon paper of £500,000, we were in three years to get £1,250,000. Moreover, "The Malabar and Yokanama Bank" charged the contractor I per cent, for negotiating the transaction, and the French bank charged bim 10 per cent, for discounting the bills, which it immediately rediscounted at 6 per cent. This commission cost our customer £10,000, and the discount £50,000, for which—having little or no vailable tunds of his own-he had to give his bill, backed by sundry triends and partners in the transaction.

As a matter of course nothing could look better on paper than this immense prout as it appeared in our accounts for the current half year. We did not enter into any details, but imply carried our gains to the right side of the profit and loss account. In order to put our-selves in tunds for the purpose of paying divilends, we discounted some of the paper we held, and thus were able not only to declare but to pay a dividend at the rate of no less than 30 per cent. per annum. No wonder our £25 shares, but on which only £10 had been paid up, were

quoted at £30, or £20 premium.

Still less surprising were the bland and contented looks of our shareholders, and the cordial manner with which they agreed to all our chairman said, and the unanimous vote of thanks to him and the board, with which the proceedings ended. For my own part, I felt so certain that the wherewithal to purchase an estate in my own county was almost within my grasp, that I once more set about consulting all the advertisements I could find respecting properties for sale. And so confident was I that the prosperity of our bank must go on increasing, that I not only laid out every shilling I had on stares, but actually borrowed money, by mortgaging my pension, in order to buy more and more of our scrip.

A second and third profitable half year brought us to the zenith of our prosperity. We had many large undertakings on hand, and many more knocking at our door. It was per tectly tabulous how we made money. The British public were always ready to deposit cash with us at 6 or 7 per cent., and to borrow our ac-ceptances at 15. So numerous were the contracts, loans, and general 'financing" business we had at work, that we really lost sight of many of them. We issued new shares, and men of birth, of means, of standing, as well as educa-tion, in the world, were ready to kiss our feet in order to get even a small portion or these promises of future wealth. We got three or four new directors, two of them M. P.'s, with great city respectability; but, alas! for us all, and for me in particular, the day of reverses came, and almost before the storm was at its worst, our good ship was wrecked on the shoals of dis-

Who can tell what first causes one of those panies which bring on a commercial crisis? describe one of these financial storms would be a work of supercrogation, considering how lately we have witnessed the hurricane which over the city of London during the of May. The tempest in which our month of May. The tempest in Yokahama good ship, "The Malabar and Yokahama good ship, "The Malabar and Gastroved, differed in good ship, "The Malabar and Yokahama Bank, Limited," was destroyed, differed in no material degree from other had weather. It began with a very slight gale, which after a time fell away again, which after a time fell away again, leaving behind it a calm during which no vessel could make any way. Then the wind rose again; from a stiff breeze it increased to a gale, from a gate to a storm, a storm to a hurricane from which all the vessels indifferently com manded suffered more or less. But my object is relate how it was that the ship in which I and all my property had embarked became a help-

For some days past things had been "looking queer in the city," and (as is invariably the case, although I could never see any reason for it, except to increase distrust, and make the people believe that things must get worse before they are better) the Directors of the Bank of England raised the lates of discount. Another week passed over, and they increased the rate a fur-ther 1 per cent. By this time it was difficult to discount any but the very best paper, and following the example set them by the Bank of England, the larger discount houses refused any but the most unexhouses refused any but the most unex-ceptionable bills. Believing the pressure to be but temporary, and hoping we should tide over the difficulty, we endeavored to place our-selves in junes sufficient to meet any minor engagements. For this purpose our manage posted over to Paris, and after a "financial operation" with some of our triends in that capital, he returned with about £500,000 of capital, he retained an acceptable a very good bills, drawn by us, accepted by a very good French financial company, and endorsed by a prest-class bank. What we paid for this little "accommodation" it is not for me to say; in fact, misfortunes came so thickly upon us about this time, that I can hardly recollect the details of events as they happened. To the best of my behet the operation was conducted upon the good old Scotch system, of "scratch me and I'll scratch In any ca-e, it was a purely "accommodation" rince of business; but was not any tempo-rary scheme better than allowing a concern of such magnitude to go to utter ruin? Our object in petting these bills was to try and stop the leaks in the vessel until the storm went down. ben we believed we should be able to save all he cargo; but it was destined to be otherwise, The gest set of these bills which we got dis-

counted amounted to £50,000, and this we England. With the proceeds we paid of several comparatively small acceptances rather than renew them, and thus so far established conddence that even during the panic our shares, which had tallen from twenty to five premium, recovered one and a half during a single love noon, and this in the middle of the pame. A day or two later, and we discounted at the Lombard street establishments a batch of £25,000 of bills, and as we set this